



Daily Current Affairs Prelims Quiz 03-02-2023 (Online Prelims Test)

1) Consider the following statements with respect to Participatory Notes (P-Notes):

1. They are instruments required to invest in Indian securities without registering with the Securities and Exchange Board of India (SEBI).
2. They can be issued by any public sector bank under the Reserve Bank of India (RBI).
3. P-notes are among the group of investments considered to be Offshore Derivative Investments (ODIs).

Which of the above statement(s) is/are correct?

- a. 1 and 2 only
- b. 2 and 3 only
- c. 1 and 3 only
- d. 1, 2 and 3

Answer : c



Participatory Notes (P-Notes)

- Brokers and foreign institutional investors (FIIs) must register with the Securities and Exchange Board of India.
- Participatory notes allow non-registered investors to invest in the Indian market.
- P-Notes are financial instruments required by investors or hedge funds to invest in Indian securities without having to register with the Securities and Exchange Board of India (SEBI).
 - A hedge fund is a limited partnership of private investors whose money is managed by professional fund managers who use a wide range of strategies, including leveraging or trading of non-traditional assets, to earn above-average investment returns.
- P-notes are among the group of investments considered to be Offshore Derivative Investments (ODIs).
- Any dividends or capital gains collected from the securities go back to the investors.
- Indian regulators are generally not in support of participatory notes because they fear that hedge funds acting through participatory notes will cause economic volatility in India's exchanges.
- Participatory notes are popular investments due to the investor remaining anonymous.

2) Consider the following statements with respect to the Circuit Breaker in Stock Market:

1. They are temporary measures that halt trading in order to curb panic-selling on stock exchanges.
2. The Securities and Exchange Board of India has the authority to implement the circuit breaker.

Which of the above statement(s) is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2

d. Neither 1 nor 2

Answer : c

Circuit Breaker in Stock Market

- In June 2001, the Securities and Exchange Board of India (SEBI) implemented index-based market-wide circuit breakers.
- Circuit breakers are temporary measures that halt trading to curb panic-selling on stock exchanges.
- This can happen due to many reasons which lead to stockholders in the market feeling that their stocks are overvalued.
- Thus they enter into a sell-off.
- Circuit breakers temporarily halt trading and thus stop the sell-off.
- Effectively, circuit-breakers cap how much the value of a stock can fall in a single day/trading session and in doing so, create a more stable market overall.
- This index-based market-wide circuit breaker system applies at three stages of the index movement, at 10, 15 and 20 per cent.
- When triggered, these circuit breakers bring about a coordinated trading halt in all equity and equity derivative markets nationwide.

3) Consider the following statements with respect to Angel Tax:

1. It is the term used to refer to the income tax payable on capital raised by unlisted companies through the issue of shares.
2. The Finance Bill, 2023 has proposed to include foreign investors in the ambit of Angel Tax.

Which of the above statement(s) is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2



Answer : c

Angel Tax

- Section 56(2) VII B of the Income Tax Act, colloquially known as the 'angel tax' was first introduced in 2012 to deter the generation and use of unaccounted money.
- This was done through the subscription of shares of a closely held company at a value that is higher than the fair market value of the firm's shares.
- It is the term used to refer to the income tax payable on capital raised by unlisted companies via the issue of shares where the share price is seen in excess of the fair market value of the shares sold.
- The excess realisation is treated as income and taxed accordingly.
- It has come to be called angel tax since it largely impacted angel investments in start-ups.
- The Finance Bill, 2023, unveiled by Finance Minister, has proposed to amend Section 56(2) VII B of the Income Tax Act.
- The provision states that when an unlisted company, such as a start-up, receives equity investment from a resident for issue of shares that exceeds the face value of such shares, it will be counted as income for the start-up.
- And this will be subject to income tax under the head 'Income from other Sources' for the relevant financial year.
- With the latest amendment, it is proposed to also include foreign investors in the ambit, meaning that when a start-up raises funding from a foreign investor, that too will now be counted as income and be taxable.

- For instance, if the fair market value of a start-up share is Rs 10 apiece, and in a subsequent funding round they offer it to an investor for Rs 20, then the difference of Rs 10 would be taxed as income.

4) The Budget 2023 has waived the customs duty for machinery required to manufacture lithium-ion cells for batteries. In this respect, identify which of the following are the applications of using lithium-ion batteries.

1. Electric & Hybrid Vehicles
2. Tele-Communication
3. Aerospace
4. Nuclear Fusion Technology

Choose the correct code.

- a. 1 and 4 only
- b. 1, 2 and 3 only
- c. 1 only
- d. 1, 2, 3 and 4

Answer : d

Lithium-ion Batteries

- Customs duty waived for machinery required to manufacture lithium-ion cells for batteries.
- In the batteries, lithium ions move from the negative electrode through an electrolyte to the positive electrode during discharge and back when charging.
- These batteries use an intercalated lithium compound as the material as the positive electrode and typically graphite at the negative electrode.
- The batteries have a high energy density, no memory effect and low self-discharge.
- **Applications** - Electronic gadgets, Tele-Communication, Aerospace, Industrial Applications, Nuclear Fusion, Electric & Hybrid Vehicles.

5) Consider the following statements with respect to the Upper Bhadra Lift Irrigation Project:

1. The project is meant to provide micro irrigation to the drought-prone districts of both Andhra Pradesh & Karnataka.
2. The water for the Irrigation channel will be fed by three Rivers, Godavari, Tunga and Bhadra.
3. Both Tunga & Bhadra Rivers originate on the western slopes of the Western Ghats.

Which of the above statement(s) is/are **incorrect**?

- a. 1 only
- b. 2 only
- c. 3 only
- d. 1, 2 and 3

Answer : d

Upper Bhadra Lift Irrigation Project

- It is a major lift irrigation Scheme under implementation in the central region of Karnataka State.
- The objective of the project is to provide sustainable irrigation facility in kharif season.
- The project is proposed to be implemented in two stages with different packages.
- In the first package, the plan is to lift 17.4 TMC water from Tunga River to Bhadra reservoir in

two stages and the work is under progress.

- The second package will lift 29.9 TMC water from Bhadra reservoir to Ajjampura tunnel in two stages.
- The third package will be conveying water through Ajjampir and tunnel work is physically completed.

The Tungabhadra River

- It is formed by the confluence of two rivers, the Tunga River and the Bhadra
- It flows through the states of Karnataka, Andhra Pradesh and Telangana and was also known by its ancient name was Pampa.
- Both Tunga & Bhadra Rivers originate on the eastern slopes of the Western Ghats.



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